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UNITED STATES BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 [Sacramento Division]

In re:

CALIFORNIA COMMUNITY  
 COLLABORATIVE, INC.,

Debtor.

Case No. 14-26351-C-11  
 Docket Control No. MHK-13

Date: April 22, 2015  
 Time: 10:00 a.m.  
 Dept: C (Courtroom 35)  
 Hon. Christopher M. Klein

**DEBTOR'S MOTION FOR APPROVAL OF POST-PETITION SECURED FINANCING**

California Community Collaborative, Inc., as debtor in possession (the "Debtor"), hereby requests an order approving post-petition secured financing as described in detail below. In support of this motion, the Debtor respectfully represents as follows:

**I. BACKGROUND**

On June 17, 2014 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code. The Debtor is a California corporation that is in the business of owning and operating the Real Property as an office-commercial rental property. The Real Property has about 88,000 square feet of space available for lease to tenants. See Declaration of Merrell G. Schexnydre ("Schexnydre Declaration"), ¶¶ 3, 4, submitted herewith.

Since before the Petition Date, the bulk of the Real Property has been unoccupied, with only about 26,000 square feet of space under lease to the Judicial

1 Council of California. The Debtor recently obtained a new ten-year lease for another  
2 39,000 square feet of space with Rex and Margaret Fortune School of Education  
3 ("Fortune"), which substantially increases the space under lease at the Real Property.  
4 The additional rental income from this lease will permit the Debtor to file a Plan of  
5 Reorganization based on ongoing business income and profits. See Schexnydre  
6 Declaration ¶ 4.

7 As of the Petition Date, when only about 30% of the rentable space at the Real  
8 Property was occupied, the Debtor valued the Real Property at approximately  
9 \$12,000,000. The Debtor's lease with Fortune will bring the occupancy rate to  
10 approximately 74%, with additional space likely to be leased to the County of San  
11 Bernardino. As a consequence, the Debtor believes that the value of the Real Property  
12 will be approximately \$15,000,000 when Fortune begins occupancy. See Schexnydre  
13 Declaration ¶ 6.

14 The Debtor has obtained a commitment to provide financing secured by the Real  
15 Property, which financing is necessary to obtain the needed leasehold improvements for  
16 the new lease with Fortune. The proposed financing is to be brokered by Triwest  
17 Financial Group of San Diego, California ("Triwest"). The Debtor proposes to borrow  
18 \$2,200,000, under the terms and conditions detailed below, which include a second  
19 deed of trust to secure the Debtor's obligations under the loan documents.

20 Jurisdiction for this motion exists under 28 U.S.C. § 1334, and venue in this  
21 court is proper under 28 U.S.C. § 1409. This is a core proceeding pursuant to 28  
22 U.S.C. § 157(b)(2)(D). The Debtor brings this motion under 11 U.S.C. § 364, and  
23 pursuant to Federal Rule of Bankruptcy Procedure 4001(c).

## 24 II. TERMS OF THE PROPOSED FINANCING

25 The Promissory Note and Deed of Trust that detail the terms of the proposed  
26 financing are submitted collectively as Exhibit 1 to the Schexnydre Declaration. The  
27 proposed financing does not include any provision that is set out in Federal Rule of

28 ///

1 Bankruptcy Procedure 4001(c)(1)(B)(i) - (xi). The basic terms of the proposed financing  
2 are as follows:

- 3 1. Loan amount: \$2,200,000.00;
- 4 2. Interest rate: 7% per year;
- 5 3. Monthly payments: \$12,833.33;
- 6 4. Term of loan: 12 months;
- 7 5. Collateral: second deed of trust against the Real Property.

### 8 III. RELIEF REQUESTED BY THE DEBTOR

9 Where unsecured financing is unavailable, under 11 U.S.C. § 364(c)(3) the court  
10 may approve financing that is secured by a junior lien on property that is subject to a  
11 lien. Here, the Real Property is encumbered by a first deed of trust in favor of the Bank,  
12 to secure an obligation of approximately \$9,600,000 as of the Petition Date, and  
13 currently there are no junior liens. See Schexnydre Declaration ¶ 10.

14 The Lease with Fortune will add considerable value to the Real Property, which  
15 the Debtor estimates to be no less than \$15,000,000 with the Fortune lease in place  
16 (as noted above, this figure is \$3,000,000 higher than the value the Debtor gave the  
17 Real Property as of the Petition Date). The proposed Triwest loan, in the amount of  
18 \$2,100,000, is more than offset by the value that the Fortune lease adds to the Real  
19 Property, and clearly the Bank's first-priority security interest will benefit from a  
20 generous equity cushion.

21 The Debtor has carefully projected its ongoing revenues from rents, including  
22 from the Fortune lease, along with its ongoing business expenses and the payments  
23 due to Triwest under the proposed financing. The projection, a copy of which is  
24 submitted as Exhibit 2 to the Schexnydre Declaration, includes ongoing interest  
25 payments to the Bank at the nondefault contract rate. It is clear that the ongoing  
26 interest payments that the Debtor will make to the Bank will provide additional  
27 protection to the Bank's interest. Meanwhile, the proposed financing will assure that  
28 the Debtor will obtain the benefit of the Lease with Fortune, rent payments from which

1 will help finance not just repayment of the Triwest loan, but also help fund a Plan of  
2 Reorganization. The Debtor plans to refinance the Real Property after no more than  
3 eighteen months to pay the Bank's claim in full.

4 The circumstances of this case thus demonstrate that the proposed financing  
5 from Triwest is in the best interest of creditors, the Debtor, and the bankruptcy estate.

6 **III. CONCLUSION**

7 For the reasons set forth above, the Debtor respectfully requests an order  
8 providing as follows:

- 9 1. Authorizing the Debtor to obtain the financing as described herein;  
10 2. Authorizing the Debtor to enter into the Loan Documents, and such other  
11 agreements as may be reasonably necessary to carry out the borrowing described  
12 herein, including appropriate subordination and non-disturbance agreements; and  
13 3. Providing for such other relief as this court deems proper.

14 Dated: Mar. 25, 2015

MEEGAN, HANSCHU & KASSEN BROCK

16  
17 By: 

Anthony Asebedo  
Attorneys for the Debtor